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VICTORIA'S JOURNAL OF CO-OPERATIVE AFFAIRS

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PAPERS

FOR THE

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OCTOBER 14 1984

The Ministerial Advisory Committee on Co-operation

MINISTERIAL ADVISORY COMMITTEE ON CO-OPERATION

The Ministerial Advisory Committee on Co-operation is reviewing the Co-operation Act and mechanisms for the development of co-operation in Victoria.

Submissions to the Committee should be forwarded by
October 31, 1984

MACC has already issued an information paper:
'The Development of the Co-operative Movement in Victoria'.
Copies of the paper are available from the Legal and Registry Division
Ministry of Housing -- telephone (03) 669 1718

Staff of the Legal and Registry Division, Ministry of Housing
are available to meet with individuals and groups on request.

The Report: 'Worker Co-operatives in NSW and Victoria: A Policy Review'
by the TransNational Co-operative Ltd and Labour Resource Centre
is being considered by MACC. Copies of this report are available from the
Co-operative Development Program Unit,
Ministry of Employment and Training - Telephone (03) 658 6444.

For further information contact: Ms Maureen Hopper, Secretary,
Ministerial Advisory Committee in Co-operation, c/- Ministry of Housing,
21st Floor, 250 Elizabeth Street, Melbourne, 3000
Telephone (03) 669 1718 or 669 1765

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Trade Unions and Worker Co-ops

The relationship between trade unions and worker co-operatives in Victoria presents enormous potential and significant problems.

Historically, worker co-operatives and trade unions share a number of characteristics:

- (i) Both grew out of the harsh economic conditions prevailing in Europe in the 19th century with the birth of the Industrial Revolution and in many countries the trade union movement has provided the impetus for the formation of worker co-operatives.
- (ii) Both were established with the object of improving the lot of their members, specifically the extension of workers' control both over industrial and social issues.
- (iii) Both are democratic in structure. In the case of a worker co-operative, economic democracy should lead to the implementation of industrial democracy. In the case of a trade union, worker representatives are elected.

However, these characteristics have not necessarily ensured that co-operatives lead to meaningful worker control. The largest and most successful types of co-operatives, such as those operating in the areas of credit and farming, demonstrate clearly that members and workers do not necessarily share the same interests and that member-based democracy has not resulted in democratic practices being applied to the internal structure of an enterprise.

Even in Italy where there has been a history of trade union involvement in worker co-operatives, the rapid growth and development of co-operatives and the slow response of many unions to wider issues such as technological change has led to many problems and frustrations for both unions and co-operatives. In Australia there has not been to date a close alignment between co-operatives and trade unions or even the broader labour movement. Producer co-operatives, which employ non-member labour, represent the main viable development of the co-operative movement in Australia.

Victorian worker co-operatives are now supported by the Government as a way of providing long-term jobs and because they offer an oppor-

tunity to develop models of industrial democracy in practice. Until recently there has been only a very tenuous link between trade unions and earlier worker co-operatives. Many unions have reservations about co-operatives and I will detail these below before looking at the various roles unions can play in worker co-operatives.

UNION CONCERNS

(i) Job Creation

Worker co-operatives are seen by many unions to be yet another 'job creation' scheme. The major job creation schemes have been set up to provide short-term work and training experience in projects that benefit the community. At best, they have been only tolerated by trade unions, except where they directly threaten the jobs of full-time employees. Employment conditions vary from project to project but the very nature of the funding which limits the length of subsidised employment often creates divisions between project workers and permanent staff.

Job creation schemes not only have problems incorporating project workers into the broader workforce, but neither has any effort been made to link these projects to industry development strategies. Instead, they hover on the margins of the labour market, somewhere between welfare and business.

(ii) Co-operative Structure

While the Victorian Worker Co-operatives Programme has a firm commitment to the labour movement it does not necessarily follow that all individuals in co-operatives do so, nor see the importance of trade union involvement.

However, as I understand it there are two main requirements of funded worker co-operatives in Victoria. The first is that they must be viable business enterprises. They are not welfare initiatives and if they are to survive they must be able to operate effectively in the market place. They will need to consider how their operation will affect other businesses and where they fit in the market, what firms they buy from and sell to, and where opportunities for trading with other co-operatives could be followed up.

Like any other business, worker co-operatives cannot expect special treatment. Worker co-

operatives must pay award wages and provide certain employment conditions as a minimum. Because worker co-operatives are new to both the business world and trade unions, they will have to gain credibility. This will not be an easy job and past experience with job creation schemes has certainly made unions wary.

The second aspect is that worker co-operatives in Victoria represent a social planning alternative, that is worker owner and control, socially useful work and industrial democracy as well as real job creation and in the case of rescue or conversion co-operatives, job maintenance.

Worker control or industrial democracy is difficult to define and is covered in more detail in another paper in this Forum. Essentially it is a process that needs to continually adapt and develop in ways that will differ from one co-operative to another. What the process aims at is to guarantee that all employees are involved in the organisation and management of the firm. This doesn't mean all employees need to become managers. But it does mean all employees have the right to be informed on and contribute to decisions taken by management.

Unions are cautious about many aspects of industrial democracy. It has been used by some employers to co-opt workers into accepting decisions that are against their interests. On the other hand, it presents unionists with opportunities to take a greater role in shaping and determining their work environment.

Worker co-operatives further blur the distinction between employer/employee interests as co-operative workers are also their own employers. In the traditional work setting, unions advocate on behalf of union members who may have a grievance against an employer. Thus worker co-operatives with worker control of decision-making present a very different set-up with the blurring of the worker-boss distinctions found in most workplaces.

(iii) Wages and Conditions

One of the main concerns of unions is that worker co-operatives may not be aware of their industrial responsibilities. They could become another form of self-exploitation which survives in the market only by undercutting their own wages and conditions, and at the same time, threatening the jobs of others.

Even though in Victoria the worker co-operatives are funded on the basis of award wages, some people argue that award wages are not necessary as members can trade-off a preference for a management/ownership structure and provided that all the co-operative members agree, it is not the business of unions to insist award wages are paid. Apart from the repercussions mentioned above, such a view is fraught with problems. It assumes that job satisfaction is quantifiable in dollar terms; that co-operatives will not employ non-members and that co-operatives are autonomous and are not set in an industry context.

The experience of small business operations in

the Liquor Trades Union is that such businesses operate in a highly competitive area and that for many to remain viable, award wages and conditions are seen as an optional extra. Worker co-operatives could hardly expect enthusiastic support if they were to replicate these sort of exploitative practices.

(iv) Multi-skilling

Multi-skilling is an issue raised by co-operatives. Skill barriers exist for a reason. They have been negotiated by unions to protect the skills and pay of their members. Some co-operatives may want to organise their work so they each do a number of different jobs. While this is possible, it is important to work out which awards are relevant. The usual industrial practice is to pay the work at the highest rate. For example, if a person is employed as a chef but spends half the time washing dishes, they must be paid full-time at a chef's award.

Because of these concerns and the lack of significant trade union involvement in co-operatives, the problem of persuading trade unions that worker co-operatives represent a valuable step in the development of worker rights and control over their work, should not be underestimated.

In order to ensure trade union support for co-operatives many unions would see the following as minimum conditions for such support.

- (1) That worker co-operatives not offer unfair competition to existing organised labour by undercutting wages and conditions through self-exploitation.
- (2) That members of worker co-operatives are members of the appropriate trade unions with the rights and responsibilities of union membership.
- (3) That the co-operative is a proper worker co-operative, that is democratically owned and managed by the workers themselves and where profits are shared among workers or ploughed back into the co-operative.
- (4) That co-operatives do not become a means of privatisation of existing public services, i.e., take on work that has been the normal responsibility of public worker sectors.

THE ROLE OF UNIONS IN WORKER CO-OPERATIVES

So, do trade unions have any role to play in worker co-operatives? I think they do. The European experience has shown that broad union support for worker co-operatives is vital to the success of such co-operatives. This is not to say there have not been tensions in the worker co-operative and union relationship but these tensions have allowed important debates around worker control, etc., to be aired and worked through.

Because of the history of co-operatives in Australia and the concerns outlined above, union policies and perspective on worker co-operatives are still very undeveloped. Like co-operatives, unions have difficulty with the ambiguous role

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co-operative members have as owners *and* workers. Whether such role ambiguity is ultimately resolvable is difficult to predict. What has happened in many European co-operatives is that certain people end up taking on management and/or administrative functions. This may not seem likely to many of the new worker co-operatives but expansion, employment of new co-operative members and non-members means that no matter how well a co-operative functions there will always be disagreements and problems that require an independent arbitrator or negotiator.

1. Independent Negotiator/Arbitrator

Unions have traditionally performed both the role of negotiator and arbitrator. Despite their media image, most unions spend a lot of time sorting out problems between their members and employers *before* an actual dispute arises. Union organisers are also called upon to sort out difficulties between members.

In the co-operative context, precisely because members are workers *and* employers, union organisers can help members as workers put their view across to other members as employers. In other situations the union organiser could sort out a difficulty between members or indeed between members and other workers in other co-operatives or work places.

This union role in co-operatives could be a very constructive one and if handled skilfully, will build a basis for mutual trust between the co-operative and the union.

2. Information and Resource Provider

Unions can provide a vital link between co-operative workers and the broader labour force and between one firm and the broader industry. The Accord between the Government and the unions has freed unions from the time-consuming job of negotiating for wages on an individual basis. For example, the Liquor Trades Union covers 33 different awards.

This gives such unions more time to work on developing policies for their industry. These policies are relevant to co-operatives. For example, what are the forces currently shaping industry? What type of industry should be promoted? Which parts of the industry require particular attention and support? These are some of the questions that co-operative members, through their unions, need to start to consider. It is this broader industry development process that sets the context for worker co-operatives to generate employment opportunities and develop industrial democracy practices that will be relevant, not just in their own business, but to the broader labour movement. In this sense then, the link with unions is crucial; worker co-operatives can play an important role in the labour movement.

3. Active Union Support

Trade union support and the industrial and political muscle this can provide could be invaluable for worker co-operatives.

Many unions are facing situations of industry decline. They have a vital interest in initiatives that could help maintain or create new jobs. Unions are also interested in testing out the potential for industrial democracy initiatives. These concerns could lead them to play a more active role in promoting and supporting worker co-operatives.

Unions may do this by:

- (i) worker co-operatives with industry knowledge and expertise,
- (ii) becoming involved with co-operatives in their beginning phase to help sort out any potential difficulties,
- (iii) lending union support for certain worker co-operative initiatives,
- (iv) identifying possible opportunities for rescue or conversion co-operatives,
- (v) transferring the experience and lessons that emerge from the development of co-operatives back to the wider labour movement.

In many areas the role unions will play in the worker co-operatives is very much up for grabs and will depend very much on how the existing and newly funded worker co-operatives respond to approaches from unions.

The Liquor Trades Union has had some initial contact with worker co-operatives in the restaurant and catering area. Below are some of the questions raised by both the union organisers and co-operative members.

- What happens when there is some conflict, when a co-operative decides to sack one of its members?
- What happens when a co-operative employs people who may not be co-operative members?
- What happens if co-operative members want to all be paid the same wage, regardless of award provisions?
- How would the co-operative relate to industry-wide campaigns, e.g., the 38 hour week campaign?
- Should worker co-operatives pay over-award wages and provide over-award conditions? That is, should more be expected of worker co-operatives than ordinary businesses?
- Are the rights and responsibilities of a union member who works in a co-operative different from a union member in a traditional work place?

These are just a few of the issues worker co-operatives are likely to confront. If co-operatives are to be accepted as a legitimate part of the market and of the labour movement, they and their unions will have to come up with some answers.

● Sara Charlesworth
Liquor Trades Union (Vic)

Worker Co-ops and Equity

Equity raises fundamental questions for worker co-operatives and yet it is not an issue which is always the centre of attention in Victoria's co-operatives. The daily work grind and the immediate project goals tend to grab interest and time priority.

Equity describes the owners' investment in a business. In a co-operative the equity is, therefore, the share capital — some of which will be paid up (at least 10%) and some may be 'at call'.

Equity issues were a central concern of the TransNational Co-operative and Labor Resource Centre report 'Worker Co-operatives in New South Wales and Victoria: A Policy Review'. That Review has recommended against requirements for high equity — ie: substantial personal financial investment by workers in their co-operative.

There are sharp differences in policy between the New South Wales and Victorian worker co-operative development programs equity requirements. Victoria has followed the low equity policy recommended by the Review and NSW has gone for high equity.

What is a high equity level? Overseas co-operatives, say in Italy and Spain, have limits of around \$A4,000. But it could go even higher — at the Ministerial Advisory Committee on Co-operation Seminar in June this year, Mr Race Mathews, spoke on the need for co-operatives obligations to look beyond government for funds. He mentioned the possibility of members being required to 'buy-in' with an initial capital contribution, 'which can range as high as a half year's earnings'.

A low level, by contrast, as recommended by the Worker Co-operatives Policy Review can be a nominal rate as low as \$1.

It is particularly important to examine the need for funds and the specific requirements of worker co-operatives.

Consumer co-operatives — such as in the food or credit area — clearly have the potential for large numbers of members and relatively low requirements for funds. So they have been able to successfully operate with low equity requirements.

Worker co-operatives, however, are likely to have few members — ie: only the actual workforce, rather than the client base. And, depending upon the industry, worker co-operatives may have a

high requirement for funds, and that can easily go beyond the level members could contribute. Indeed it is likely that in most industrial cases the equity which can be provided by members will only be somewhat token.

Much of the argument about what equity level should apply centres on very basic questions of motivation.

A submission to the Ministerial Advisory Committee on Co-operation maintains that:

'high shareholding must continue to be a feature of workers' co-operative societies' because 'to be successful a workers' co-operative society, more than any other type of co-operative society, requires a high degree of loyalty'. The submission notes that 'members of a workers' society can be easily tempted to leave the society if the society is temporarily unable to provide work to all members, if the society is operating at a loss and its closure is a possibility on the horizon, if work is available elsewhere on financially more attractive terms, and so on'. 'The possible loss of a high shareholding in the region of half a year's earnings would make a member think twice before leaving the society,' is the stern conclusion.

This amounts to a deliberate process of trapping people into a particular work and investment link. Far from worker co-ops being model employers in these circumstances such co-ops would be taking an appalling backward step which would rightly incur the opposition of trade unions (who have had to fight for generations to get working conditions such as we have today).

This same submission also argues that 'If workers can start co-operative enterprises with small commitments, workers societies are likely to crop up without much study of the implications and feasibility of the enterprise. On the other hand the need for high shares will act as a safeguard and an insurance of success because it will make the prospective members approach the proposal with all the seriousness it deserves.'

Enterprise plans offer a fairer, more thorough and useful means to assess the prospects for the success of a co-operative venture. The Victorian Co-operative Development Program has given high priority to education and training regarding business and co-operation, and requires all appli-

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cations for funding to centre on very detailed, written enterprise (or business) plan. This allows ideas to be examined in detail and therefore challenged and improved as necessary.

High levels of equity are primarily a measure of wealth which tell nothing about the business or co-operative good sense or commitment of either individuals or groups of people.

Requirements for high equity will preclude the involvement in worker co-operatives of people with low reserves of money — which may be utterly unrelated to commitment. Workers may have other demands on their funds — family expenses, personal educational or other priorities, etc.

Requirements for high equity will preclude the establishment of worker co-operatives in capital

intensive industries — and given the way industry is moving today that adds co-operatives to the sunset, rather than sunrise, industries.

In a NSW appraisal of the TNC.LRC Worker Co-operatives Review, the Canadian Government's National Task Force on Co-operative Development strategy is approvingly quoted:

"Co-op capital represents a pure expression of economic democracy — a financial commitment to the democratic and co-operative process of decision-making. Co-ops need that member commitment and participation to be successful."

This is one of the most direct and honest statements I have come across in favour of high equity. It is a direct assertion that financial involvement will be powerful and that power will be in proportion to the investment level — that is also what I understand to be the basis of capitalism rather

Industrial Democracy and Worker Co-ops

The democratisation of the work process is one of the least developed features of the co-operative movement, both in Australia and overseas. Industrial democracy is a body of ideas and attitudes that will have different applications in different enterprises. The translation of these ideas and attitudes that will have different applications in different enterprises. The translation of these ideas into initiatives that can be implemented in the workplace, presents a challenge to both worker co-operatives and labour movement alike.

The Principle of Democracy

A fundamental characteristic of co-operative enterprises is the acceptance of the principle of democracy. Its clearest expression is in the practice of according one vote to each co-operative member, regardless of their financial contribution or position. As the membership of a worker co-operative comprises those who are employed by it, the democratic principle extends beyond ownership to decision-making over the work process. This at least forces the question of how to translate industrial democracy theory into practice, onto the agenda for worker co-operatives. The government has announced its commitment to encouraging industrial democracy initiatives. The recently published conference on industrial democracy at the Hilton Melbourne, was intended to broadly publicise government support for industrial democracy and specifically to present this

position to employers. It is within this broader context that the State government has developed the worker co-operatives program which has placed particular emphasis on the development of co-operatives as an approach to creating long-term employment opportunities in enterprises owned and controlled by those who work in them.

This question raises the more general question of the government's reasons for promoting industrial democracy and the place of worker co-operatives within this strategy. The Accord clearly establishes the role of trade unions in industry planning, putting them on an equal footing with employers and government. Underpinning the mechanisms set in place by the Accord, including the Australian Manufacturing Council and industry committees, is a commitment to promote employment and economic growth through the development of a coherent and integrated set of industry policies and programs. While industry planning is not new in itself, the approach embodied in the Accord gives unions the opportunity to assess their industry and the options for its development from the perspective of the quality and nature of the jobs it provides. The tripartite nature of the Economic Policy Advisory Committee, the A.M.C. and industry committees provide unions with the mechanisms to intervene in industry restructuring to promote an industry that benefits those who work in it as well as those who own it. This approach towards industry

than co-operation.

The appraisal goes on to re-affirm that 'Motivation and commitment is related to shareholding.' I submit that there are many other factors involved in the level to which workers find themselves able to invest.

The appraisal expresses concern that 'nominal shareholdings undermine democratic control by leaving the co-operative open to undue influence by outside lenders.' There is no point kidding ourselves — co-ops are open to influence from outside lenders, because only in the rarest of cases can worker co-ops members provide a high enough level of equity to isolate the co-op from such influence. Better that we see the need for the co-operative movement to itself become a funder of worker co-operatives and this can, in part, be achieved by worker co-ops setting aside funds for financing new ventures. But that is a very long

term goal and restricting worker co-ops now to only those who can afford them will not help.

To suggest that in the case of conversion co-ops workers should provide equity from personal assets such as superannuation entitlements is another means of encouraging workers to buy their own jobs — another issue which will arouse well-founded union hostility, at a time when union support for co-operatives would be so very helpful.

Discussion of the worker co-operative equity issue neither starts nor finishes at this workshop. But it is central to the future development of worker co-ops and it is very important that workers in worker co-ops consider the issues and express their views.

● Leigh Holloway
Co-operative Development Program
Ministry of Employment and Training

development implies a degree of co-operation between enterprises to achieve a common industry direction. This contrasts with the competitive basis on which industry presently operates.

The government is well aware that union involvement at the industry level needs to be translated to employee involvement in decisions at the enterprise level. This sets the context in which industrial democracy initiatives, including approaches such as the worker co-operative program, have been supported by government.

From Theory to Practice

The implementation of industrial democracy at the enterprise level needs to be seen as an ongoing process. It implies a continuing commitment to review decision-making processes and their consequent impact on the work process, to encourage the active involvement of those employed. This is not to say that the aim should be for all employees to make all decisions. Like any other enterprise, co-operatives depend on competent management and production practices. The extent to which members are able to participate in decisions that relate to processes outside of their direct experience will vary depending on the complexity of the issues to be grasped and the time and resources available to support workers to understand and analyse critical importance of appropriate education and training support. It also underlines the fact that without an active commitment to developing industrial democracy practice, the level of worker involvement in decision-making could end up being confined to the particular part of the work process they are involved in and not extend to a wider involvement in the direction of the enterprise itself. Industrial democracy is more than worker participation — it raises fundamental questions about the distribution of power and control in an enterprise. This means that while the *function* of management is recognised as important, the embodiment of that role within an individual or group of managers will change so that those performing management tasks are made accountable to all co-operative members. If 'accountability' is to be effective, co-operative

members must be informed and involved in considering the options before decisions are made. While all workers have a wealth and experience that equips them with knowledge and insights about the workforce that are often untapped, there is a need for training and education to support workers to develop an understanding of the broad range of functions performed by their enterprise.

For many people, the opportunity to take an active part in the way their enterprise operates, will be new. There are significant cultural, attitudinal and educational barriers to be addressed if workers are to participate in this process. The first step is for all workers to have access to relevant information about their enterprise and the support and resources to assist them to interpret and apply it. This can partly be achieved through education and training courses such as those provided through Preston T.A.F.E. As the process is ongoing and each co-operative is unique, it also implies an ongoing need for flexible training and education provisions able to address enterprise-specific issues. In practical terms this could require co-operatives to include education leave in their costing of staff time. Education courses may need to address the need of some workers to upgrade basic literacy and numeracy skills as well as developing an understanding of the way their enterprise operates.

Worker co-operatives are better placed to develop industrially democratic processes than traditional enterprise structures. This is due to their explicit commitment to the democratic principle and the provision of specifically tailored education and training courses in the early stages of co-operative formation. The fact that most worker co-operatives are small enterprises also makes it more practical for workers to become familiar with the range of processes and skills involved and therefore to be able to make a more informed contribution to decision-making. Both local and overseas experience has illustrated the fact that a co-operative structure does not guarantee industrial democracy. The pressure on co-operatives to

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achieve economic viability could encourage some worker co-operatives to resort to more 'expedient' decision-making processes, leaving aside the issue of industrial democracy until the enterprise has established its place in the market. The danger of this approach is that once decision-making processes are set in place, it is difficult to modify or restructure these. The problem of how to incorporate previous 'managers' into a democratic structure is one which already confronts most conversion co-operatives.

To summarise these points then, unless specific provisions and measures are set in place, including the adequate provision of paid education leave, it is likely that industrial democracy will take a low priority. Some practical considerations for co-operative members in addressing the task of democratising their workplace include:

- How will the co-operative deal with the problem of the 'aristocracy of labour', and what processes can ensure that both white collar and blue collar workers are equally involved?
- How will it be ensured that workers/members are able to identify what information they require and be able to assess its implications?
- What provisions will need to be made to assist workers to acquire reading, writing and articulation skills which are essential components of managerial functions?
- Should all workers be obliged to join the co-operative? If there are non-member employees, how would they relate to the democratisation process?
- What will the co-operative do about workers who are not union members?
- How will the prime movers initiating the co-operative proposal deal with suspicion from both potential co-operative members and union officials?

Industrial Democracy and Trade Unions

The establishment of employee decision-making processes has lead some workers to question the need for trade unions at the enterprise level. Indeed, part of the suspicion of some unions towards what are broadly described as 'industrial democracy' initiatives, is the way they have been used in some enterprises to undermine existing employee-representative structures of the union.

In setting the context of government support for worker co-operatives among other industrial democracy initiatives, this paper outlined their place within the broader commitment to industry planning. An extension of union involvement at the industry level to industrial democracy at the enterprise level recognises the overlap between the way an enterprise develops and its place within the broader industry context. Clearly, mainstream industry issues will set the constraints for individual enterprise development. At the same time, an effective industry policy needs to be informed by

the experience of individual enterprises and particularly enterprises established with the specific objective of creating and protecting employment opportunities. The channels for employees to contribute to industry policy is through their union.

At the enterprise level, the democratisation of work implies not only a redistribution of power but eventually a redistribution of status, skill and income. This will have consequences for pay and conditions, promotion opportunities, supervisory functions and so on. The task of implementing changes is often further complicated by multiple union coverage within the one enterprise. However, unless worker co-operatives involve unions at the outset in discussions over demarcation issues, they cannot expect union support. Just as importantly, the potential to draw from co-operative experience some lessons that could instruct a review of traditional demarcation boundaries would be lost. The mounting pressure and pace of industry restructuring is altering the skill base and qualification requirements of the workforce. Unions are becoming increasingly conscious that in many industries, existing job descriptions are fast becoming outdated. This will have consequences for the whole range of industrial provisions, including pay scales, work conditions, promotion prospects, etc. At the same time, there is a trend towards union amalgamation based on industry structure. This trend has now been endorsed by ACTU policy. As worker co-operatives are at the forefront of developing industrial democracy practice, they are more likely than traditional enterprises to confront problems related to demarcation issues. Increasing recognition among unions of the need to address these issues and of their potential implications for the broader workforce highlight the importance and relevance of working through the issues with the relevant union(s).

Finally, union membership of individual co-operative members remains relevant for the same reasons as for workers in a traditional enterprise. Regardless of an effective industrial democracy process, individual participants have the right to union representation and protection. Industrial democracy is not about making an exclusive pact between the participants but represents an attempt to extend the potential of workers to intervene in the way their enterprise and industries are structured to protect their interests. Unions have traditionally taken on this role. There have already been cases where a worker in a co-operative has asked their union to represent them after they felt they had been unfairly treated by the co-operative. If unions are to effectively perform this role, there needs to be an understanding of co-operative principles and practices which is most effectively achieved through the active involvement and participation in their unions.

● Kim Windsor

Worker Co-ops Are Different

Worker co-operatives are different. But then, how different are they and is it important anyway? These are not just abstract questions for they are being asked by the Ministerial Advisory Committee on Co-operation. There are divergent views on worker co-operatives and the view which prevails on the MACC well may determine how they will exist in the future and the form of any government assistance which may be forthcoming.

Worker co-operatives are very different from other forms of co-operative and this is reflected in significant ideological and practical differences. The basis of the difference is the membership of the co-operatives. The fact that workers as opposed to consumers own and control a co-operative necessarily changes the nature of co-operative democracy, both in principle and practice. A worker co-operative then, is a co-operative whose membership is restricted to workers in the co-operative and member control and benefits are based on personal rather than property rights. Worker co-operatives themselves should have the following characteristics:

1. membership is confined to workers in the co-operative;
2. all workers in the co-operative are eligible to become members;
3. there are no voluntary workers;
4. the equity contribution of the workers is minimal and the same;
5. any directors are also workers;
6. shares in the co-operative do not appreciate in value;
7. there are no preferential shares;
8. there is a limited or no distribution of surplus to worker members;
9. surplus is primarily allocated into reserve funds, co-operative education and worker co-operative development;
10. on winding-up there is no distribution of residual assets to workers.

These characteristics are reinforced in Victoria under the Ministry of Employment and Training's Co-operative Development Program by the following measures:

- grants are available to subsidize operating costs
- loans are available at low interest rates
- co-operatives are not required to develop a high

equity

- co-operative courses are provided at no cost to participants
- award wage subsidies are available for participants in the courses
- preference is given to unionised co-operatives and unionisation is encouraged
- co-operatives are required to develop enterprise plans.

In contrast, in NSW these provisions are not adopted. Quite simply, there are divergent interpretations between the Victorian and NSW programs on worker co-operative philosophy and practice. In NSW the emphasis is on the provision of loans at medium interest rates. Grants are not available to subsidize operating costs. There are no courses and therefore no commitment to the provision of wage subsidies for any education and training of a co-operative or business nature. Co-operatives are required to establish and maintain a high equity. Enterprise plans are not required.

Co-operativism is an ideology — a set of ideas about the philosophy, principles and practices of co-operation. While the fundamental principles of co-operation are common to all co-operatives, they are vague and general. Democratic administration is a co-operative principle. Yet the form of democracy codified in the Co-operation Act is exclusively representative, bureaucratic and hierarchical. These characteristics are not intrinsic to co-operative ideology. Democratic administration — a rhetorical assertion that is open to different interpretation and practices.

There are three broadly divergent views about co-operative ideology. First, there is the view that co-operatives are a preferable form of private enterprise. Second, there is the view that co-operatives are an alternative to private and State enterprises. Third, there is the view that co-operatives are a form of social ownership.

The differences between NSW and Victoria are relatively clear. The NSW position emphasises property rights and a distant relationship with the State. The Victorian position emphasises personal rights and a mature, reciprocal relationship between worker co-operatives and the State. The issue of equity is the touchstone of the difference

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between Victoria and New South Wales. Co-operative equity is central to the debate about personal and property rights. In summary, a low equity is consistent with personal rights. A high equity, however, is inconsistent with personal rights for it reinforces and reflects the importance of property rights.

The essential point of difference between a co-operative and a traditional business rests on the differing basis of personal and property rights. The traditional business emphasises property rights because the amount of property owned (the number of shares) determines the number of votes. There is no limit on the number of shares that can be owned and these shares can be publicly traded by their owners and there is no particular limit on personal gain potential other than the capital needs of the business.

In a worker co-operative, however, personal rights are emphasised because there is one vote per member irrespective of shareholding, there is a limit on the number of shares that can be owned, shares cannot be publicly traded, there is limited interest on shares do not appreciate.

Worker co-operatives in Victoria have tended to adopt a low equity. This has emerged as a de-facto practice rather than a considered policy. This has been practical because under its Co-operative Development Programme, the Ministry of Employment and Training has permitted and indeed encouraged a low equity.

In contrast, the worker co-operatives in NSW have adopted a high equity — with the encouragement of the Common Ownership Development Agency and the Common Ownership Finance Company.

It could be argued that requiring a high equity is a normalization process for worker co-operatives. Indeed, when Cruikshank Management Resources Pty Ltd reviewed the Ministry of Employment and Training's Co-operative Development Programme, it was scathingly critical of direct government funding of co-operatives and argued that this created dependency problems. Normalization then, is presumed to eliminate the problem of dependency.

In theory, this normalization is placing worker co-operatives in the market place — competing with other small business enterprises for private sector financing. Normalization, then, is requiring worker co-operatives to adopt the business characteristics of traditional business enterprises. Normalization, however, has ideological and methodological dimensions and consequences. Co-operatives need to adopt some aspects of the methodology but not the ideology of private enterprise.

In brief, there are three arguments for a high equity in worker co-operatives. First, it is necessary if the co-operatives wish to reduce their dependence on external lenders. Second, it provides the basis for obtaining loans from external lenders. Third, it creates and maintains the commitment of the workers in the co-operatives. Nominal equity is

common for food and credit co-operatives and there is very good reason for this. Nominal equity is the only basis upon which co-operatives can effectively limit the role of capital. Once equity is no longer nominal, then the role of capital is no longer restricted. A high level reinforces the assumption of property rights and the expectation of personal gain. High equity requirements for worker co-operatives are based on pragmatic rather than co-operative considerations. Certainly, practicalities is a stated concern of the NSW programme.

Worker co-operatives do have difficulties raising external finance from State, private and co-operative sources. The important exception is the Mondragon co-operatives in the Basque region of Spain. NSW has also had some success in raising private sector finance. Both the Victorian and NSW programmes however, have depended on direct State funding.

It has also been argued that a high equity creates and maintains the commitment of workers. With their own funds invested in the co-operative, they are more likely to work harder and smarter for the viability of the co-operative. The argument then is a fairly traditional argument that traditional financiers, apply to small business owners — the expectation and requirement that the owner must place personal funds at risk as a guarantee against loan advances.

Members of consumer co-operatives are not required to provide a high equity. The inescapable conclusion therefore is that it is discriminatory to require worker co-operatives to provide a high individual equity. Victoria's low equity approach has validity provided the capitalisation requirements of worker co-operatives are being met. It may not be possible and practical to maintain a low equity. Funding of worker co-operatives in NSW is now based on a common ownership finance company controlled by the Co-operative Federation of NSW. As already noted, funding is based on a high equity. Race Mathews has argued:

"Co-operatives everywhere are obliged to look beyond government and meet major capital requirements through such mechanisms as raising loans from banks and other traditional sources, accepting external shareholders and making it a condition of membership that members should 'buy in' with an initial capital contribution, which can range as high as half a year's earnings." But what has been done and what might be necessary is not necessarily consistent with the development of worker co-operatives.

The basis of personal rights in a co-operative is economic democracy — one vote per member. Economic democracy in co-operatives varies, however, between representative and participatory models. The consumer and producer co-operatives adopt a representative model. Annual general meetings of the co-operative elect a board of directors. The directors appoint the management of the co-operative. The directors and the management then represent the interests of the members. The rights of the members in between annual general meetings are strictly limited and regulated.

Workers in these co-operatives are not usually members. Membership of workers is not always encouraged and permitted. When workers are members, they are in a minority. The Co-operation Act restricts the participation of workers by prescribing that no more than one worker can be elected as a director of a co-operative.

The representative model of co-operative democracy is coming under increasing challenge, however, by worker, housing and food co-operatives. These co-operatives are interested in extending and developing co-operative democracy — based on a participatory model which maximises members' participation. The participatory model does not exclude representation. Representation, however, is a means to an end (participatory decision-making) rather than an end in itself. It is the worker co-operatives that pose the most fundamental challenge to the representative model. The challenge is simply based on the workers in the co-operatives being its members. Indeed, it could be argued that worker co-operatives are more democratic than other co-operatives because the governed (the workers) choose how they are governed. It is inappropriate for a small co-operative to establish a board of directors. The membership as a group could legally assume the responsibilities normally accorded to representative directors. It is equally questionable that a small co-operative requires a manager. Certainly, the role of manager will be more limited and the management function will become a shared responsibility. What is essential however, is the recognition that there is a management function and the membership is responsible for ensuring the meeting of this function. As a co-operative grows in size, however, there will be a need to establish a more representative structure of decision-making. A board of directors and managers may then be necessary and desirable. The democratic structure of a co-operative must reflect business realities. But, reflecting business realities does not mean abandoning a participatory philosophy and practice.

The more participatory the co-operative's decision-making, the more complex will be the process of making decisions. Participation is a learned process. It is difficult to participate effectively and relevantly. Few people have the experience of participatory decision-making. We are used to the experience and expectation of hierarchical and bureaucratic decision-making. The impact of the experience and expectation should not be dismissed. Being able to participate in decision-making requires knowledge, experience and courage. You need to be able to judge what you need to know in order to make judgements about the operations of a business. You need to be able to distinguish between causes of business problems. You need to be able to distinguish between a good manager and a bad manager. To participate effectively is both an individual and a group responsibility. Co-operative democracy, however, critically depends on the Co-operation Act.

The Co-operation Act 1981 is inappropriate for worker co-operatives. This inappropriateness is significant because the legislation provides a con-

text for co-operative development and organizational models for co-operatives and ignores the fact that worker co-operatives are different. The problems of the Act:

- incorporation depends on the election of a board of directors of between three and seven.
- members who are unhappy with the board's decisions have no choice but to wait until the next annual general meeting.
- The accountability of the board is annual and therefore limited.
- co-operatives are not required to organize meetings of members in between annual general meetings unless this is provided for in the rules of the co-operative.
- The more traditional the co-operative the less likely that meetings of members will be organized in between annual general meetings.
- co-operative democracy is membership-based and, therefore, there is no provision for industrial democracy practices.

The legislation, then, is rigid and conservative and discriminates against co-operatives wishing to practice a real and effective form of industrial democracy. There is considerable scope to change the Co-operation Act to meet the needs of worker co-operatives. For example, the number of directors should depend on the size of the co-operative and the preference of the members. Small co-operatives should not be forced to establish a board of directors. There should be no limit on the number of worker directors. The powers of meetings of members should depend on the rules of the co-operative. Meetings of members should have the power to direct directors in between annual general meetings. The new Co-operation Act, therefore, should allow for more democracy. Worker co-operatives need to define where they are at and where they want to go and address legislative changes in these terms.

In conclusion, worker co-operatives are different and understanding this difference will determine the realization of their potential. But the difference is not necessarily understood or it is understood only too well and both explain contradictory and ambivalent attitudes and approaches to worker co-operatives.

● David Griffiths, Member,
Ministerial Advisory Committee
on Co-operation.

Rules for Co-operative Workers

These model rules are not meant to be exhaustive nor do they take into account the current Co-operation Act 1981, except in a few specific areas where mentioned. These model rules are only to be used as a basis for discussion and a means of attempting to set down certain guidelines and parameters. These parameters are to be used both towards setting up model rules for worker co-operatives and also to be used as a basis for funding in relation to whether an appropriate body i.e. co-operative should be funded as a worker co-operative.

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They are only for discussion.

1. MODEL RULES

In accordance with Section 58 of the Co-operation Act the rules of a society shall bind the society and all members thereof and all persons claiming through them respectively to the same extent as if each member had subscribed his name and affixed his seal thereto and there were contained in the rules a covenant on the part of each member and his legal representatives to observe all the provisions of the rules subject to the provisions of the act and the regulations.

2. NAME

The name of the society shall be — Workers Co-operative Limited (here and after called "The Society"). The Society is a workers society under the Co-operation Act 1981.

3. OFFICE

The registered office of the society shall be at or at such other place as the Board may determine from time to time. The Board shall in accordance with Section 57 of the Act cause notice of any change therein to be lodged with the registrar in the form prescribed within 14 days after the change.

4. PRINCIPAL PLACE OF BUSINESS

The principal place of business of the society shall be at or at such other place as the Board may determine from time to time. The Board shall cause notice of any change therein to be lodged with the registrar in the form prescribed within 14 days after the change.

5. USE OF NAME

The Board shall in accordance with section 57 of the Act cause the name of the society with a statement that the society is registered under the Act to be painted or affixed and kept painted or affixed on the outside of its office and principal place of business in a conspicuous place and in letters which are clearly legible.

6. OBJECTS

A. i) The objective of the society is the manufacture and sale and provision of services of and any ancillary or other industrial activities upon which the society may decide to embark.

ii) Should the society's major economic objective and its major source of income cease to be due to its industrial activities the Board on so becoming aware shall call an extraordinary General Meeting in accordance with these rules and then inform the registrar within 14 days of that meeting of its change of activities and cease to be a worker co-operative but may apply for registration as another type of society under the Co-operation Act 1981.

B. 75% of all employees of the society are required to be members of the society and 75% of the employees of the subsidiary of the society.

C. The Society shall not sub-contract out more than 50% of its work.

7. FULL AND ASSOCIATE MEMBERS

The persons who shall be qualified to be members of the society shall be:-

a) Any person who is not under the age of 15 years.

b) Be prepared to serve as an employee of the society for a probation period of six months during which time the applicant and the society will both be free to end the relationship. The probationary period may be reduced or eliminated by the agreement of both parties.

c) The applicant must be prepared to accept the responsibilities of membership laid down in these rules, to contribute labour as required by the society and to accept other obligations as laid down in agreements between the society and the applicant.

d) The society may employ seasonal or other specialised workers on contract for a period not exceeding six months, and such employment may not be of six consecutive monthly periods. If such outside workers wish to become full members the conditions for their admission are laid down in these rules.

e) The last preceding sub-section does not apply to professional workers such as lawyers or accountants who may be required to be contracted to the society for longer periods than six months.

8. DECISIONS ON ADMISSIONS TO MEMBERSHIP

Decisions on the admission of new members are

made by the Board of directors of the society. Applications for membership can only be refused on two grounds:-

a) The objective needs of the society in matters of management, administration, organisation and operation.

b) Reports following the employment of applicants on a probationary basis.

9. PUBLICATION OF DECISION

Applicants for membership will be notified in writing of decisions within two months; and this information will also be published at the same time on the notice board of the registered office and place of business of the society.

10. APPEALS AGAINST DECISIONS OF THE BOARD

A. An applicant for membership rejected by the Board of Directors can appeal to a General Meeting within 15 days of being notified of his rejection.

B. If 10% or more of members are opposed to the decision of the Board of directors on a membership application, then application must be made to the General Meeting within 15 days of the Board's decision being placed on the notice board in accordance with this rule.

C. Such appeals will be considered at the next General Meeting.

11. RIGHTS AND OBLIGATIONS OF MEMBERS

The rights and obligations of those accepted as members will take effect within 15 days of their admission as members. With those not accepted by the Board as members the rights and obligations of membership will not take effect until a decision of acceptance is made by the General Meeting.

12. LIMITED LIABILITY

The liability of members is limited to taking up the minimum shareholdings required of members under these rules but members may also be subject to other specific liabilities.

13. OBLIGATIONS OF MEMBERSHIP

Members are required to:-

a) Attend meetings convened under these rules including General Meetings and accept resolutions validly adopted by various bodies in accordance with these rules.

b) Show personal commitment and involvement in work in the service of the society and related activities.

c) Respect the confidentiality of technical trade and other information required during services of the member of the society. These rules about the confidentiality of information take account of agreements with regard to technical information, patent rights and the rights of inventors and the way in which personal careers may be bound up with the technical skills and experience.

d) Not without notification agreement by the Board and consent where appropriate by the General Meeting to compete or collaborate with other enterprises.

e) Accept the responsibilities and functions recommended in the service of the society.

f) Not to make use of information available to members for speculative or illegal activities.

g) Contribute to the social life of the society in collaboration with the members and the management.

h) Respect the reputation of the society and of co-operative societies in general in any public statements.

i) Accept and be bound by any relevant Act and/or regulation and by these rules.

14. THE RIGHTS OF MEMBERS

i) The members have the right to:-

- Participate in an election for office in the various committees of the society and stand for office.
- To speak at all General Meetings and to vote on resolutions.
- Approve at General Meetings the report, balance sheet and accounts of the society.
- Clarify at meetings including General Meetings the policies and objectives of the society and the scope of its activities within these rules.
- Participate in the activities of the society and make use of its services, particularly with regard to the education and social fields.
- Demand information on any aspect of the operation of the society.
- Take steps to improve these rules to the benefit of members of the society.
- Collaborate with other co-operative societies in accordance with the co-operative principles in the social and economic fields.
- Have share capital repaid at its face value on retirement or in the event of a dissolution of the society.
- Such other rights as may be available to members under these rules or by law.

ii) These rights will be exercised in accordance with these rules, with law and with resolutions approved by the General Meeting.

15. THE RIGHT TO INFORMATION

A. Members shall request the Board for information and explanations about the management of the society and this can be done in two ways:-

- The report and accounts of the society shall be debated at the General Meeting and so shall any member's economic proposals. The report and accounts should be made available in advance to members and members can also ask in writing in advance for information and explanations with the Board providing answers at the General Meeting.

B. Information about other aspects of the running of the society may be obtained by members from the Board or from the committees.

C. The chairperson of the society, the Board, the auditor and the committees shall provide information to members but such information shall not be supplied if it is against the best interest of the society. Access to accounts of the society shall be available to members on request.

16. THE SUSPENSION OF THE RIGHTS OF MEMBERS

The Board has the right to suspend the rights of members in accordance with usual employment practices if the member does not fulfil his/her responsibilities or serve the society as required by rule 13.

Such suspension will be lifted as soon as the member resumes normal duties and the member has the right to appeal to the General Meeting as in cases of expulsion.

17. THE RETIREMENT OF MEMBERS

A. A member who wishes to retire prior to the normal retiring age shall give the Board two months' notice of such intention.

B. On reaching retirement age members can by agreement with the society continue to work as a member.

18. THE PROBATIONARY PERIOD

Applicants for full membership will be entitled to speak at meetings including General Meetings during their period of probation but they will not be entitled to vote or to participate in profits or to assume economic responsibilities until the end of the probationary period.

19. DISCIPLINE

A. The maintenance of discipline amongst members shall be subject to usual award and industrial conditions but where not so covered will be determined by the society's internal regulations in consultation with the appropriate union representatives.

B. Offences shall be classified as minor, major and serious:-

- Minor offences include:
 - not observing the rules and regulations of the society
 - persistent failure to observe working norms;
 - persistent absence without reasonable excuse from social functions of the society and in particular General Meetings.
- Major offences include:
 - persisting with minor offences for more than 12 months;
 - neglecting social responsibilities voluntarily assumed; as by election or appointment to office;
 - avoiding the social responsibilities of membership.
- Serious offences include:

- persisting with a major offence for more than 12 months;
- not accepting or implementing resolutions approved by various organs of the society;
- injuring the material interests or reputation of the society as by fraud, competitive activity or financial manipulations;
- acting without authority in the name of the Board in the society's name;
- revealing the contents of confidential material or information;
- failing to fulfil the economic and other responsibilities as set out in rule 13;
- engaging in speculative or illegal activities;
- systematic opposition to and public campaigning against the society and other co-operative societies and the society's social principles.

20. PENALTIES FOR SOCIAL OFFENCES

A. For minor offences:

- a written warning from the Board;
- a small fine.

B. For major offences:

- a written warning that could be made public at the discretion of the Board;
- the exclusion from election as a director for two years;
- a fine.

C. For serious offences:

- suspension from membership rights for a period determined by the Board;
- a substantial fine;
- expulsion.

21. DISCIPLINARY PROCEDURES

A. Procedure:

- Details of offences will be set out in duplicate, one of which will be kept on file.
- With minor and major offences charges will be framed by members nominated by the Board from among its own members; and they will inform the accused member about the alleged offence and proposed penalty. The accused member will then be able to make his/her own representations or arrange representation in conjunction with the relevant union or his/her legal representative about the alleged offence.
- With serious offences charges will be brought by a member on behalf of the society who will inform the accused member about the alleged offence and the proposed penalty. The accused member will be allowed to make representations either/and by representation through his/her union or by his/her own legal representative to the Board which will be able to cancel or modify the proposed penalty. The accused member will then be able to appeal to the General Meeting.

B. Time limits for disciplinary proceedings:

- Proceedings with regard to alleged minor offences must be finished within 30 days; those relating to major offences must be finished within 45 days, and those relating to serious offences must be finished within 60 days.
- Appeals against penalties proposed must be presented or heard within 30 days of the penalty being announced.
- Decisions must be made within 45 days of an appeal being heard except that appeals to the General Meeting will be heard at the next General Meeting.

C. Imposition of penalties:

Penalties will be imposed after the period of appeal if the appeal is rejected and subject to an appeal being possible; and in other cases immediately after the decision has been announced.

D. Cancellation of penalties:

Except in cases of expulsion and following representations by an accused member, the Board may cancel the whole or part of the penalty imposed if the Board considers that such member has been rehabilitated or the charge is unwarranted.

22. EXPULSION

Expulsion for serious offences shall only be decided by the Board following representations by or on behalf of the member and subject to awards. Proceedings with regard to expulsion must not take more than two months. If no conclusion has been reached after two months the case against such member will go by default; and the member will not be expelled.

A. i) If the Board decides to expel a member it should inform that person of the decision within 15 days.

ii) If there is an appeal to the General Meeting it must be made within 40 days, the expulsion cannot take place during that period.

iii) The member cannot be suspended in connection with the same offence.

iv) Should a member be suspended from work, the member shall receive full pay and be entitled to all other award rights and conditions. The General Meeting on ratifying the expulsion shall take into account all payments made during the period of suspension.

B. The appeal must be submitted to the next General Meeting whether it is an ordinary General Meeting or an extraordinary General Meeting convened for the purpose. The appeal must be the first item on the agenda at the General Meeting and the decision must be voted by secret ballot.

C. An expelled member retains all rights as set out otherwise by legislation and award.

D. An affirmation by the General Meeting of the decision to expel made by the Board takes effect immediately.

23. THE BASIS OF REMUNERATION

The full members of the society will be subject to its internal regulation approved by the General Meeting and these shall be arranged in the following way:

A. i) All full members shall be paid according to the value of their labour contributed to the society, account being taken of working conditions but they shall not receive less than the award rates being of their appropriate award nor working conditions that would not be allowed under their appropriate awards.

ii) The job evaluation system will be arranged so that should there be no appropriate award for a particular worker member including either for managerial or for professional workers such member shall not be paid more than three times the rate of the lowest paid adult member being a fulltime employee of the society.

iii) Further, where other conditions of employment for particular worker members including either managerial and/or professional workers are not covered by awards then their conditions of employment shall be subject to such standards commonly applicable to such type of employee in relative types of employment and further subject to ratification by the Board and the General Meeting.

B. The job evaluation system incorporated in the internal regulations of the society shall be prepared by the manager subject to Board approval.

C. The internal regulations and general structure of the society and the various job descriptions used will be subject to Board approval.

D. i) The manager is appointed by the Board and other executives are appointed by the Board on the recommendation of the manager.

ii) Other appointments will be made by the manager on the recommendations of the appropriate executive member.

iii) Members may complain about their executives to the manager or where not appropriate to the chairperson of the Board but until such complaint is considered and decided upon they shall carry out all the lawful instructions of their executive.

E. The job evaluation system in the internal regulation society will be based upon accepted working, accounting and professional practices required by trade unions and other relevant bodies.

F. The Board will fix wages and employment conditions subject to Clause 23(7) within the framework of the job evaluation system.

G. Other aspects of remuneration for work will be determined by the internal regulations approved by the General Meeting. Those internal regulations shall not contravene these rules.

24. RELATION TO WORKERS COMPENSATION

Notwithstanding that there may be employment contracts between the society and its member workers for the purposes of worker compensation member workers of the society shall be considered to be employed by the society.

25. ASSOCIATE MEMBERSHIP

A. Full members who retire or cease to be full members may become associate members on acceptance by the Board and ratification at the next General Meeting.

B. Associate members cannot be executive or auditors but they have the right to be informed about the performance of the society, and may participate in General Meetings and may vote; but the total votes of the associate members must not be greater than 20% of the votes of all members and further an associate member cannot have more than one vote.

C. In all other respects the rules for associate members are the same as for other members.

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26. SHARE CAPITAL, ENTRANCE FEES AND PROFITS

A. Full and associate members must hold the minimum number of ordinary member shares required by these rules. The certificates of shareholding require the signature of a director and secretary of the society.

B. Ordinary member shares (ordinary shares) shall all be of the same class all ranking equally and shall be of the nominal value of \$2 each.

C. Every member shall hold one ordinary share and no member shall hold more than one-fifth of the total of the ordinary shares in the society.

D. i) By special resolution passed at the General Meeting by two-thirds majority of those present the society may issue preference shares to members and non-members that are at the option of the society liable to be redeemed.

ii) Preference shareholders shall not have any rights of membership including voting rights unless such a shareholder is a member in accordance with Clause 7 and such a member's voting rights are due to his membership and not due to his preference shareholding.

iii) Preference shares shall rank with unsecured creditors on the winding up of the society.

iv) Annual percentage dividends fixed at the time of issue of the preference shares shall be paid out of surplus earnings of the society and should there be no surplus earnings then that dividend payment shall be deferred but become an additional debt of the society, to be paid out of surplus earnings as the society would pay all creditors.

v) The society shall convert the preference shares and any outstanding dividend to debt upon there being sufficient surplus earnings to pay out such debt.

27. DIVIDEND ON SHARES

There shall be no interest on ordinary shares and the dividend paid on preference share capital shall not be greater than 3 percentage points above the average prime overdraft rate of the Commonwealth Bank.

28. THE DETERMINATION OF SURPLUS OR PROFIT

A. Such surplus profit made from the sale of capital equipment or capital items such as buildings that are and can be classified as unusual items in accounting procedures shall not be regarded in the surplus of the society, but shall be automatically transferred into the society and on winding up or liquidation such profits shall be automatically transferred to another society or transferred to other co-operatives as decided by the registrar.

B. In the determination of net surpluses those surpluses will be calculated after taking into account all creditors, taxes, dividend payments, wages and so on and after re-investing 60% of the remainder back into the society as investment capital.

30. ALLOCATION TO COMPULSORY SOCIAL FUNDS

A. At least 10% of the remaining 40% of the net surpluses shall be allocated to an education and social work fund.

B. At least 15% of the remaining 40% of the net surplus shall be allocated to the specific promotion of worker co-operative ideals as decided by the General Meeting.

C. The fund for education and social work shall be concerned with the promotion of co-operative ideas and ideals and with meeting the social and cultural needs of the community in accordance with the directives as decided by the General Meeting.

31. DISTRIBUTION OF SOCIAL EARNINGS

A. After the allocations required under Clause 30 have been made the remainder of the net surplus will be used in accordance with the directives of the General Meeting or allocated to general reserves.

B. i) A proportion of this part of the net surplus will be credited to the accounts of full members in proportion to work contributed;

ii) The work contributed or services rendered or tasks undertaken by full members will have their value measured as if they had received no wages for such work.

32. LOSSES

In the imputation of losses the same principles will be followed as in the allocation of profits or surpluses.

A. Deductions will be made from the fund for education and social work and from the statutory indivisible reserves in the same proportions as allocation to these funds in the event of a surplus.

B. Remaining losses will be participated in by

members by deduction from their accounts in proportion of the value of work contributed but there shall be no amounts deducted from members account that attributed to wages.

REPRESENTATION AND MANAGEMENT IN THE SOCIETY

33. ORGANISATION OF THE SOCIETY

A. The main organisations are:

- The General Meeting;
- the Board.

B. The management of the society is the responsibility of the Board.

C. i) The Board will nominate the manager who will be responsible for the management of the society as a business enterprise;

ii) The manager will act in the name of the Board within the limitations imposed and in virtue of powers conferred by these rules.

34. THE GENERAL MEETING

A. i) The General meeting consisting both of members and of associates is the supreme decision making body and the supreme body of the society in the matters assigned to it by the Co-operation Act and by these rules;

ii) All members of the society and associates are subject to its decisions.

B. All matters affecting the society may be discussed in General Meeting and its decisions will be final in the following matters:

i) To choose the members of the Board and the auditors;

ii) To review the performance of the Board, to approve the accounts and balance sheet, to decide the distribution of profits (surplus), and to allocate participation in profit and loss according to these clauses;

iii) to allocate responsibilities;

iv) to take and make decisions about the admission of new members and the filling of vacancies;

v) to approve or amend the social regulations;

vi) to make any decisions about a merger with any other society or the "hiving off" of any part of the society as an independent enterprise;

vii) to approve or amend the Rules of the society or its internal regulations;

viii) to make any decisions about the dissolution of the society and arrangements for its liquidation;

ix) to demand at any time information from the auditors, from the Board or from a director or the management;

x) to make any decisions on the transfer or sale of some or all of the assets of the society that involve important economic organisational or functional change;

xi) to consider any other matters submitted to it by the organisation of the society for its decisions and in accordance with the law, the rules of the society and with its regulations.

35. THE CONVENING OF THE GENERAL MEETING

A. A meeting of the General Meeting may be either ordinary or extraordinary.

B. The Board will convene a General Meeting within three months after the close of the financial year (known as the Annual General Meeting) in order to consider the report of the Board and to approve the accounts and balance sheet and to decide all the normal requisite things that are required at an annual General Meeting including auditors report, appointments of the Board, appointment of auditors and so on.

C. The Board shall convene a General Meeting at least once in every three month period thereafter to consider the report of the Board and to approve the accounts and the balance sheet and all other matters that may be relevant at that time.

D. At all General Meetings there shall further be decided as to:

- the distribution of profit and the allocation of participation in surplus or in loss;
- and
- the running of the society.

E. General meetings other than the regular ordinary meetings will be regarded as extraordinary meetings:-

i) These may be convened by the Board when it considers in its judgment that such a meeting is in the interest of the society;

ii) Such meetings may also be convened at the request of the members representing at least 20% of the total votes;

iii) Extraordinary meetings shall have all the same powers as the General Meetings.

iv) a) If the General Meeting or Annual General Meeting is not convened on time any member or associate may call such meetings;

b) such member will have to give notice to the Board of his request and if such meeting is not convened within 15 days the member may appeal to the registrar who shall call the meeting and decide who shall be chairperson and the same shall apply if the Board refuses to call a General Meeting after being requested by the required number of members.

v) a) Members shall be given at least 10 days notice but not more than 20 days notice of the convening of an extraordinary or ordinary General Meeting. An agenda shall accompany such notification.

b) members will be notified by writing to their addresses; and further meeting notices will be placed on the notice board at the registered office and principal place of business of the society.

vi) Notwithstanding these provisions a valid General Meeting may be held if all the members agree to hold one and agree upon an Agenda.

36. THE FUNCTIONING OF THE GENERAL MEETING

A. The General Meeting shall be held at the address of the registered office unless the previous General Meeting decides some other place is more appropriate.

B. A quorum for all General Meetings shall be one half of the number of the members of the society and resolutions shall be decided by simple majority of those present except where the resolutions that are to be considered are about the dissolution of the society and/or the sale of transfer of property or about the main activities of the society that involve changes in its structure. In those cases it will then be necessary for a quorum of 75% of the members to be present and such resolutions shall be decided by a majority of at least 75%.

C. Apologies of absent members shall be presented to the General Meeting for its acceptance.

D. Proxy voting shall not be allowed.

E. All registered members and registered associate members shall have the right to participate and vote.

F. If the expulsion or acceptance of a member is on the agenda that matter shall be decided first and upon acceptance of membership that member shall have the right to vote and/or upon expulsion he shall then have no right to vote.

G. The Chairperson of the Board shall be Chairperson of the General Meeting and the Secretary of the Board will take the minutes.

H. i) The minutes will be completed within 15 days and will be signed by the Chairperson, two members and the secretary;

ii) the certified minutes will be sent by the secretary to members.

J. General Meeting procedures shall be run in accordance with the usual meeting procedures.

37. VOTING

A. Each member shall have one vote subject to Clause 7.

B. In cases of tied voting the chairperson will not have the casting vote.

C. A 75% majority of those present will be needed when:

i) matters to be considered are as set out in Clause 36B;

ii) a proposal is made calling on members to contribute more in work or services;

iii) a resolution proposing changes in the responsibility of performance of the auditors or directors or chairperson;

iv) a resolution proposing the retirement of directors or auditors before the end of their term of office;

v) a resolution proposing changes in the rules of the society;

vi) a resolution proposing the merger of the society with another or the division of the society with two or more independent societies.

D. A two-thirds majority of those present will be needed for a proposal for the issue of preference shares.

38. THE BOARD

The Board represents the members of the society and is its management organ. The Board controls and manages the enterprise through the manager and guides the implementation of policies formulated by the General Meeting. It has the following responsibilities:

i) Decisions about the admission and retirement of members in accordance with agreements and these rules.

ii) Represents the society in any lawful act of contract.

iii) Appoints the manager, executives, defines their duties and responsibilities and determines their remuneration in accordance

- with these rules.
- v) Appoints staff and determines their duties and functions and wages and other rewards subject to these rules.
- v) Organises and monitors the function of the society.
- vi) Takes such actions and makes such contracts as may be needed to fulfil the objectives of the society, including purchases and sales, negotiations of rent, royalties, and mortgages, and undertakes any kind of business operation allowed under these rules.
- vii) Borrows or lends on behalf of the society and engages in other financial transactions except in so far as such decisions are made by the General Meeting.
- viii) Engages in such other transactions and trading operations as may be needed for the efficient running of the society.
- ix) Makes arrangements for the issue of shares or bonds to be subject to endorsement by the General Meeting.
- x) Determines the investment of liquid funds as well as of reserve funds, and make provision for education and social work in accordance with the decision of the General Meeting.
- xi) Authorise expenditures in such and appoint agents or representatives of the society with appropriate responsibilities.
- xii) Present the accounts of the society to the General Meeting with explanatory memoranda and information about the allocation of profits, surplus or loss.
- xiii) Convene ordinary General Meetings and extraordinary General Meetings and implement their decisions.
- xiv) Act on behalf of the society as to legal proceedings, contracts, leases, and all normal business activities, and act on behalf of the society as to its relations with trade unions.
- xv) Use the social funds and properties as will serve the members and the society.
- xvi) Delegate powers to members to fulfil the responsibilities of the society with regard to educational and social work.
- xvii) Interpret these rules and regulations and propose any amendments that may be needed to the General Meeting.
- xviii) To do all other reasonable matters subject to these rules and the General Meeting for the successful operations and functioning of the society.

39. MEMBERSHIP OF THE BOARD

- A. The Board shall consist of a minimum of five directors.
- B. Only members of the society can be directors.
- C. At least three quarters of the directors shall be full members who are employees of the society.
- D. Alternative directors of the same proportion may be elected at the same time as the full directors and those alternative directors will serve as full members in the event that vacancies occur on the Board during the term of office.
- E. Directors, alternative directors and executives will be elected at the Annual General Meeting and will retain office until the next Annual General Meeting.
- F. Directors will be eligible for re-election.
- G. Elections shall be by secret ballot.
- H. Upon directors attaining the age of 65 years they shall retire and further, no member shall stand for office of director if during that term for which they would hold office the member would attain the age of 65 years.
- I. The chairperson, secretary and vice chairperson shall all be elected by the Board at its first meeting.
- J. In the event of Board vacancies the alternate will serve in their places.
- K. In the event of a temporary absence of a chairperson the vice chairperson will take the chair and serve as chairperson. In the event of the absence of the secretary the youngest member of the Board will serve as secretary.

40. THE FUNCTIONING OF THE BOARD

- A. i) The Board shall meet at least once a month and at the request of any of the directors or the manager.
- ii) If it is not convened by the chairperson within 10 days of such a request it may be convened by the director making the request if he is supported by one quarter of the other directors.
- B. At its regular monthly meetings the Board will consider all matters relevant concerning the society in accordance with General Meeting policy including:
 - i) Minutes of the previous meeting.

- ii) Purchase of property.
- iii) Members relations, admissions, vacancies, expulsions, probations, profit distribution, share capital, nomination for directors.
- iv) Allocations from the fund for education and social work.
- v) The trading policies of the society.
- vi) The standards of management administration.
- vii) Arrange all relevant insurance and consultation with the manager.
- viii) Any other relevant matters.

C. The Board ordinarily will be convened by the chairperson.

D. The manager may at the option of the Board be invited to participate at Board meetings but the manager shall not have a vote or the right to vote, nor shall the manager be a director.

E. Clause 40(C) (D) shall not apply where the society consists of 10 members or less.

F. The quorum of the Board shall consist of half its members plus one. Participation will be personal and decisions will be by simple majority of directors present. In the event of a tie the chairperson shall not have a casting vote.

41. THE AUTHORITY OF THE CHAIRPERSON

The chairperson represents unless otherwise decided by the Board or General Meeting, the society.

42. THE REMUNERATION OF DIRECTORS

A. The remuneration to directors for their services as directors shall be in accordance with Clause 23.

B. An allowance for expenses arising as a result of being a director shall be allowed and paid by the society as decided by the General Meeting but these allowances shall be strictly calculated and audited so that they are reasonable allowances taking into account expected reasonable expenses.

43. APPOINTMENT AND REMOVAL OF THE MANAGER

The Board is responsible for the appointment and removal of the manager and for the terms of his contract subject to ratification by the next General Meeting.

44. DUTIES OF THE MANAGER

A. The responsibilities of the manager will derive both from the nature of the appointment and from the terms of the employment contract. The manager shall report to the Board on the economic and social position of the society and any other matters which either the Board requires or the manager believes should be considered by the Board.

B. The manager shall present a report to each General Meeting as to the social and economic position of the society and also to the Annual General Meeting a balance sheet and budget.

C. Both balance sheet and budget will also be provided to the auditors.

D. The manager may inform the chairperson about any matter which he believes requires the convening of an extraordinary Board meeting or about which the chairperson should be informed.

45. MANAGEMENT COMMITTEES

The manager in the day to day management of the society may be advised by those committees as set up by the Board and General Meeting and those committees will usually consist of full time employees, members and wherever possible include union representatives, being, say, shop stewards.

46. REMOVAL OF DIRECTORS

A. The General Meeting may take whatever action it feels appropriate against the Board or a particular director or manager but such action shall not be contemplated or considered unless 20% of the members of the General Meeting desire such action to be considered.

B. If such action has been considered by the General Meeting and rejected then reconsideration shall not occur unless a majority of members at the General Meeting so request.

47. ELIGIBILITY FOR MANAGER

Only a member of the society shall be appointed manager.

48. AUDIT

A. One or more auditors who unless the registrar authorises otherwise shall be persons licensed by the company's auditors Board and approved by the registrar and shall be appointed at each Annual General Meeting to hold office until the next Annual General Meeting.

B. Otherwise all the usual audit provisions as required under the Co-operation Act 1981 shall apply.

C. The General Meeting shall appoint from among the members of the society three inspectors of accounts for the purposes of auditing and checking the internal accounts of the members and the societies.

D. Wherever possible, directors and managers will

not be eligible to serve on such positions nor shall relatives or close personal associates of directors and the manager.

E. These inspectors will present a detailed report to the Annual General Meeting covering the full financial aspects of the society.

F. These inspectors may ask and obtain from all members of the society whatever reasonable information they require to enable a full report to be presented to the Annual General Meeting.

49. BOOKS OF RECORDS AND ACCOUNTS

Books of records and accounts registers and so on will be kept by the society and maintained in accordance with the requirements of the Co-operation Act 1981, Companies Code and other relevant Acts, Statutes, Legislation and Regulations and further the General Meeting may require other and additional records to be kept and maintained and if so, it shall be the responsibility of the Board to ensure that this is in fact done.

50. WINDING UP AND LIQUIDATION

A. Winding up of the society may take place for the following reasons:

- i) By resolution of the General Meeting specially convened for that purpose, adopted by 75% of its members. When such meeting is convened the proposal for winding up shall be sent to each member with reasons, together with a balance sheet completed within 30 days prior to the General Meeting.
- ii) Reduction of the number of members to a level below that legally necessary for its constitution for a period of more than six months.
- iii) Merger with or absorption by another worker co-operative society.
- iv) Any other legal reason for which winding up is appropriate.
- B. i) Upon winding up and should there be any surplus in accordance with Clause 28 then in that event all funds other than the members' individual internal funds shall be transferred to another appropriate worker co-operative or distributed in accordance with the requirements as set down by the registrar.
- ii) Those funds in the case of winding up shall be regarded as funds belonging to the co-operative movement as a whole and in particular belonging to the worker co-operative movement and shall be distributed taking into account the character of the funds and the requirements of ongoing other worker co-operatives or perceived requirements for future worker co-operatives.
- iii) Otherwise winding up is subject to Part 4 of the Co-operation Act 1981.

Serge Sztrajt

Overseas Models for Worker Co-ops

The co-operative movement traces its origins to the first half of the nineteenth century, when it began as a response to the social, political and economic conditions of the industrial revolution. Since then it has grown, and infiltrated almost every area of economic endeavour. Somewhere in the world, co-operatives are involved in the production and distribution of goods, agriculture, marketing, credit, transportation, manufacturing, banking, insurance, housing, forest industries and fisheries.

Co-operatives are also entrenched in the service industry running buses in Israel, port services in Poland, schools in the Philippines, restaurants in France, medical centres in Denmark and even funeral parlours in Sweden.

These enterprises vary in size from businesses with fewer than ten members, to those with a membership of thousands. In fact in some countries, co-operative systems have grown to become the largest economic institutions next to government.

Among their international achievements, co-operatives have been prominent in the following areas. The agricultural co-operatives of France have the second largest credit and banking system in the world; the Mondragon co-operatives of the Basque region of Spain are among the world's largest manufacturers of refrigerators and household appliances; the OK co-operative system in Sweden has the largest oil refinery in the country and supplies about 20 per cent of the total market; in Italy, a system of worker co-operatives is recognised as the most effective job-saving agency when industrial plants are forced to close; Romanian co-operatives operate the best travel system and holiday resorts in the country, and about half of India's sugar production is controlled by co-operatives.

Of the 50 largest banking systems in the world, five are co-operative. These are in France, the Netherlands, Japan, and the Federal Republic of Germany.

The International Co-operative Alliance has 175 national and regional bodies in membership, from 65 countries, with 370 million individual members. Of these, only about 1.6% belong to worker co-operatives.

Nevertheless, worker co-operatives have developed as an increasingly significant force in the

last ten years. It is estimated for instance, that the number of worker co-operatives within the EEC has increased from 4,688 in 1970 to 6,500 in 1979, to 13,900 in 1983. Their associated workforce has simultaneously increased from 298,000 to 549,000. In the UK alone, a new worker co-operative is established every week. There are now 450 or so registered throughout the country with a total of 5,000 members. Out of 118 co-operatives in London in 1981, 41 were involved in manufacturing, while 77 were in the service sector.

In Spain, a complete region — Mondragon — has been converted to co-operative living by the creation of 70 large co-operatives which between them employ more than 14,600 workers.

In Italy, the 320 worker co-operatives in existence in 1970 have grown to about 2,700 today, employing almost 150,000 workers. France by comparison has about 550 which employ a total of 30,000 workers. In Sweden, there are 150 worker co-operatives, mainly in the manufacturing industry. Canada has about 80 while Australia has approximately 30.

Worker co-operatives are generally distinguishable from the more traditional producer, consumer, and credit co-operatives by consisting only of employee members. There are three common situations leading to their establishment:

Rescue — Workers in 'failed' capitalist enterprises often attempt to keep a factory or business in operation by forming retrenched workers into a co-operative. Most famous among such ventures were the co-operatives initiated under former British Labor Secretary for Industry Tony Benn, the so-called 'Wedgewood Benn Co-ops'. These included the ill-fated Triumph motorcycles at Meriden, Kirby Manufacturing and Engineering, and the *Scottish Daily News*. Because these sort of enterprises usually arise out of an attempt to salvage from disaster, they — not surprisingly — also demonstrate a high rate of failure.

Conversion — These are generally private concerns which have been handed over to workers by philanthropic owners. While examples of these are infrequent, the example of the Scott Bader company in Britain eventually played a crucial role in the development of the Industrial Common Ownership Movement (ICOM).

New Wave Co-operatives — These are the co-

operatives which have been based on the ideological commitment of their members to establishing socially useful enterprises within a democratic structure. They tend to have a broadly anti-capitalist or anarchic philosophy and proliferate in such areas as alternative media, rehabilitation and repair services, and the provision of new technology to community groups. This area of co-operative development has proven popular in Britain and Holland, and has received enthusiastic attention in Australia. Because they arise out of a social or political commitment, rather than a market need, they often suffer from a lack of administrative, technical and promotional skills.

The TransNational Co-operative Worker Co-operative Policy Review identifies five factors which have played a significant role in worker co-operative development. These are as follows:

Investment capital and equity - The traditional problem of lack of access to investment capital has been dealt with in a variety of ways overseas. In France, worker co-ops receive low interest loans from the government-financed *Laisse Centrale de Credit Co-operatif*. In Spain, the Mondragon co-operatives own their own bank, the *Caja Laboral*. In Italy, co-operatives are eligible for low interest loans.

Related to the question of access to capital is the question of member equity. A wide range of attitudes and practices have been adopted toward this question internationally. In some countries, member equity is considered a legitimate source of investment capital whereas in other circumstances, high member equity is considered undesirable, and in fact contrary to the universal accessibility of co-operative membership. Mondragon has adopted a relatively high member equity policy, with the same holding for each member. The value of shares is relatively constant. The Plywood co-operatives in the USA have allowed shares to appreciate and this has made the cost of entry into the co-operatives prohibitive. The Job Ownership (JOL) and Industrial Common Ownership (ICOM) co-operatives in the UK have a nominal shareholding of one share per member. However they adopt different and opposed equity policies and practices. ICOM shareholders are restricted to a single one pound share. JOL, by contrast, requires workers to make a capital contribution equivalent to not less than 25% of the estimated gross earnings of the lowest paid. Under the UK's Industrial and Provident Society Act individual members of co-operatives can hold shares up to a legal limit of 10,000 pounds.

Where it has been deemed advisable to hold member equity to nominal levels, other options encouraging capital investment have been found. The French Parliament, for instance, has approved legislation to allow worker co-operatives to raise capital by issuing non-voting preference shares to outsiders. The French Co-operative Confederation also makes loans with variable interest related to profits to member co-operatives, an arrangement similar to non-voting preference shares with partially cumulative dividends.

The disadvantage associated with such outside investment, is that the benefit of capital accumula-

tion does not necessarily remain with the co-operative. Because of this, outside investment is usually restricted to a common investment fund controlled by the movement itself (as in Italy), the union movement (as in Denmark) or a public authority (such as the Greater London Enterprise Board, or the Highlands and Islands Development Board in Scotland).

Access to Markets -- Co-operatives have often had difficulty in exploiting market opportunities, either because of lack of promotional skills and/or resources, or a lack of credibility in the market economy. This problem has been attacked in three distinct ways:

Affirmative government action - In France and Italy, public sector contracts have been important in stimulating growth. French law stipulates that worker co-operatives be given $\frac{1}{4}$ of all public contracts at the average price tendered by private firms for the remainder.

Secondary co-operatives - Acknowledging the specialist skills required in marketing, some countries have created a generation of secondary co-operatives, designed to service such needs within the sector. In Italy, for instance, a consortia formed to provide common services —marketing, planning, purchasing etc. — have been active in arranging public sector contracts for their member co-operatives.

Intra-sector trading - Preferential trading within a network of existing co-operatives has become possible in those countries with a sufficiently large co-operative sector to make this economically significant. In Italy and Mondragon, co-operatives have created significant markets for themselves by inter-trading.

Co-operative Development — Invariably, the development and growth of co-operative sectors overseas, have depended on the support of government, unions and/or agencies.

In Italy, 60% of new co-operatives are promoted by the three co-operative federations who work closely with trade unions and state development agencies. In the UK, co-operative development is undertaken by various groups. There is a Co-operative Development Agency (CDA) established under its own Act of Parliament. It currently concentrates its resources on worker/industrial co-operatives because it believes they are most in need of government assistance. In addition to the CDA, there are a large number of government, semi-government, private and co-operative organisations promoting the development of co-operatives. These include Industrial Common Ownership, Job Ownership Pty Ltd, the Greater London Enterprise Board, the London Co-operative Enterprise Board and approximately 80 local co-operative development agencies. The London Co-operative Enterprise Board has been a major backer of worker co-operatives and has recently announced plans to reserve 55% of its loan funds for women and minority groups involved in worker-controlled enterprises.

Danny Vadasz

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